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FROM: Bill Meek

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COMMENTS

As you know, the Attorney General succeeded last week in preventing hearings at the Arizona Corporation Commission on the APS and TEP settlement agreements by obtaining a stay order from the Arizona Supreme Court. For the record, the Attorney General's action cost the shareholders of Pinnacle West Capital Corporation nearly \$200 million in lost value.

In the wake of the court order, two brokerage firms -- Merrill Lynch and Salomon Brothers -- immediately downgraded Pinnacle West stock. As a consequence, Pinnacle West stock fell \$2.19 (4.7%) in the next 48 hours while utility stocks as a group were advancing in all three indexes.

The analysts cited the environment of uncertainty resulting from the postponed hearings and the earlier negative comments expressed by incoming Commissioner Tony West. Fortunately, other analysts, including two who recently upgraded Pinnacle West shares, held firm in the belief that a settlement -- in some form -- is still possible before retail competition begins.

This is not a commentary on the appropriateness of the Attorney General's position, the Court's response or Tony West's intervention (although I have opinions on all three). It is simply a reminder that very large financial consequences are attendant to the machinations of government.